

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section II – Financial Statement Findings

Finding #1-1

Criteria: Internal Control Structure

The National Commission on Fraudulent Financial Reporting (the Treadway Commission) was created in 1985 by the joint sponsorship of five organizations, which composed the Committee of Sponsoring Organizations (COSO):

- The American Institute of Certified Public Accountants
- The American Accounting Association
- The Institute of Management Accountants (formerly the National Association of Accountants)
- The Financial Executives Institute

In 1987, the Treadway Commission recommended COSO develop a common definition of internal control and provide guidance to assist management to better control its organization. COSO issued a document titled *Internal Control – An Integrated Framework*. The definition of internal control includes five elements: control environment, risk assessment, control activities, information and communication, and monitoring.

Condition: The Montana Department of Public Health and Human Services' (department) audit report discusses issues related to fiscal and legal accountability within the department. The department could have prevented, or detected in a timely manner, many of these errors if it developed and implemented a sound internal control structure as we recommended in our two prior audit reports. Management has not implemented a control structure adequate to prevent, or timely detect and correct, errors in its financial records and fails to comply with program requirements.

Questioned Costs: No questioned costs were identified.

Context: The department spends in excess of \$974 million per year for program benefits and administration. Of that total, more than \$675.7 million per year was provided by federal agencies. The department has offices and facilities located geographically throughout the state of Montana and employs 2,702 budgeted full-time equivalent employees working in nine divisions.

Effect: The department's financial management control structure is not able to prevent or detect many errors. Because of this weakness, the department cannot ensure payments are made to eligible individuals or to others for allowable purposes. The department's inefficient transaction processing does not accurately support federal reporting, does not demonstrate accurate allocation of costs between state and federal programs, and does not prevent discrepancies from existing between the state's primary accounting system and the department's subsystems. The department is not meeting its fiscal and legal responsibilities.

Cause: According to department management, implementation of this recommendation has been hampered by continuing turnover within the Fiscal Bureau; including turnover in supervisory positions, and unforeseen resource demands for implementing the state's new accounting system. Since the issuance of the prior audit report, the department has reorganized certain functions within the Operations and

Technology Division in order to improve operational efficiency and communications. The department has also created a separate Fiscal Policy Office, which provides oversight and assistance in establishing internal control and fiscal policy for the department. In addition, the department hired a deputy director in August 2001 who will be responsible for oversight of department operations, including financial matters, and an internal auditor in October 2001.

Recommendation: We recommend the department implement a financial management control structure to assure financial accountability and compliance with state and federal laws and regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section II – Financial Statement Findings

Finding #1-2

Criteria: Montana state law, section 17-1-102(4), MCA, states in part, that all state agencies shall input all necessary transactions to the accounting system before the accounts are closed at the end of the fiscal year in order to present the receipt, use, and disposition of all money and property for which the agency is accountable in accordance with generally accepted accounting principles.

Condition: The Montana Department of Public Health and Human Services (department) does not completely reconcile its automated data processing subsystems to the state's primary accounting system (SABHRS).

Questioned Costs: No questioned costs were identified.

Context: Department personnel use the Agency Wide Accounting and Client Systems (AWACS) to generate vendor and provider payments. It is also used to prepare financial reports for federal grants. The department uses the Child and Adult Protective Services (CAPS) system to record several types of activity. One of the modules in the CAPS system is used to account for foster care trust accounts. Foster Care IV-E expenditures for fiscal years 1999-00 and 2000-01 were approximately \$11 million. The department uses its Advanced Revelation (AREV) system to establish accounts receivable for its laboratory operations. The Public Health Laboratory utilizes the AREV system and had an accounts receivable amount of \$231,666 as of June 30, 2001.

Effect: The department's financial records may be misstated and thus misleading to users and federal reports could be misstated.

Cause: AWACS - Department personnel noted that AWACS and SABHRS coding are not consistent in some cases, which makes reconciling difficult. During the prior audit, the department had not completely reconciled AWACS to the accounting records during fiscal year 1997-98 and 1998-99. Personnel said certain adjustments to data made directly to the SABHRS are not made on AWACS.

CAPS - The department did make some adjustment to SABHRS in fiscal year 1999-00, so that totals in CAPS matched totals in SABHRS. However, the adjustments were not done based on reconciliation between the two systems. Department personnel said that they were having problems with SABHRS accepting journals so they made the decision to not track the errors and to adjust SABHRS using CAPS totals as support.

AREV – A monthly comparison between SABHRS and AREV is done to determine differences, SABHRS is adjusted but the two systems do not necessarily reflect true balances. By adjusting SABHRS so it reflects AREV amounts, the department is not considering transactions that are only recorded on SABHRS and not AREV.

Recommendation: We recommend the department implement policies and procedures to ensure timely completion and resolution of reconciliations between the state's accounting system and the department's various subsystems.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section II – Financial Statement Findings

Finding # 1-3

Criteria: Montana state law section 17-1-102(4), MCA, states in part, that all state agencies shall input all necessary transactions to the accounting system before the accounts are closed at the end of the fiscal year in order to present the receipt, use, and disposition of all money and property for which the agency is accountable in accordance with generally accepted accounting principles.

Condition: Administrative responsibility for the state's Section 457 Deferred Compensation Plan transferred to the Public Employees' Retirement Board (PERB) effective July 1, 1999. The day-to-day record keeping function for participant accounts is contracted to a private company. The company tracks participant contributions, investments, and investment earnings. Public Employee Retirement Administration (PERA) personnel record activity and balances on the state's accounting system based on reports provided by the contractors. PERA personnel did not record, or incorrectly recorded, several transactions on the state's accounting records during fiscal year 1999-00.

Questioned Costs: No questioned costs were identified.

Context: At June 30, 2000, the plan's assets exceeded \$211 million. Revenues for the year totaled over \$27.2 million and expenses were in excess of \$8.6 million.

Effect: The errors and omissions in transaction process resulted in misstatements on the state's accounting records at and as of June 30, 2000. Fund balance at July 1, 1999, was overstated by \$3,126,747; assets were overstated by \$12,645,016; liabilities were overstated by \$3,343,500; revenues were overstated by \$6,173,750; expenses were understated by \$1,019; and fund balance at June 30, 2000, was understated by \$9,301,516.

Cause: PERA did not fill the plan accountant position until April 2000, at which time the accountant began the process of reconciling contractor reports to the state's accounting records and other supporting records. Reconciliations were not substantially complete until January 2001. PERA personnel indicated the quarterly reports received from the record keeping company were difficult to understand.

Recommendation: We recommend PERB establish procedures to ensure Section 457 Deferred Compensation Plan financial activity is completely and accurately recorded on the state's accounting records.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section II – Financial Statement Findings

Finding #1-4

Criteria: The Montana State Constitution and Title 17, MCA, address legal requirements related to fiscal control and accountability. Montana state law section 17-1-102, MCA, requires each agency to record the transactions necessary to ensure its accounting records present the receipt, use, and disposition of all money and property for which it is accountable in accordance with generally accepted accounting principles by the close of each fiscal year.

Condition: We identified several issues related to the Department of Environmental Quality's fiscal control and accountability. There were issues related to vendor payments, accounts receivable, cash collection controls, fixed asset inventory control, monitoring security and performance bonds, using federal funds for allowable purposes, submitting federal cash transaction reports, public water supply system fees, and annual asbestos facility permit fees. Misstatements within the state's accounting system and noncompliance with state and federal laws, policies, and regulations occurred.

Questioned Costs: No questioned costs were identified.

Context: The department reported expenditures of \$71 million in fiscal year 1999-00, and \$69 million in fiscal year 2000-01.

Effect: The fiscal issues point to the necessity for department management to design and implement an efficient and effective financial management control structure. This structure should provide assurance transactions process properly and in a timely manner. Until the department implements an efficient and effective financial management control structure, it has a high risk of making inappropriate financial decisions and disseminating inaccurate financial information.

Cause: The department experienced turnover in administrator, payroll, and cash receipting positions and had vacancies during our audit period. In addition, the state converted to a new statewide accounting, budgeting, and human resource system, which contributed to the errors.

Recommendation: We recommend the Department of Environmental Quality:

- A. Implement a financial management control structure to assure financial accountability and compliance with state and federal laws and regulations.
- B. Comply with constitutional and statutory requirements by disbursing funds only under appropriations made by law.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section II – Financial Statement Findings

Finding # 1-5

Criteria: State policy requires each state agency to establish and maintain a system of internal controls over collections and deposits. No one person should perform functions that place the person in a position to perpetrate and conceal errors or irregularities in the normal course of their duties.

Condition: The Department of Environmental Quality (department) receives checks and currency as payment for environmental impact statement studies, licenses and permits, and fines. After the mail is opened, one employee is responsible for custody of the collections, updating accounts receivable on the database, preparing the required accounting system transactions and the treasury deposit ticket, and making the deposit.

Questioned Costs: No questioned costs were identified.

Context: The department collected checks and currency of approximately \$6.8, \$7.1, and \$7.3 million in fiscal years 1998-99, 1999-00, and 2000-01, respectively.

Effect: Without adequate segregation of duties, the department cannot ensure all moneys received are deposited in the state treasury.

Cause: The department did not finalize and implement draft policies and procedures to change its cash collection process.

Recommendation: We recommend the department establish accounting control over moneys received, as required by state policy.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section II – Financial Statement Findings

Finding #1-6 Various Federal Agencies
CFDA # Various

Criteria: State law, Section 17-1-102(4), MCA requires that before the accounts are closed at fiscal year-end, agencies shall input all transactions to present the receipt, use, and disposition of all money and property in accordance with generally accepted accounting principles. State law, Section 17-1-111, MCA, also provides the general fiscal duties of the state treasurer include receiving and accounting for all money belonging to the state and keeping an account of all money received and disbursed.

Condition: The Department of Administration (department) is responsible for reconciling activity within all bank accounts for the State of Montana. Since the implementation of Statewide Accounting, Budgeting, and Human Resource System (SABHRS) beginning in fiscal year 2000, the department has been unable to reconcile its bank account activity to the accounting records.

Questioned Costs: No questioned costs identified.

Context: The State's General Purpose Financial Statements reported approximately \$156 million and \$164 million in cash deposits at June 30, 2000 and June 30, 2001, respectively. In March 2001, the department made adjustments exceeding \$20 million to the financial statements. As of January 2002, the department recorded a final adjustment of approximately \$755,000 in the General Fund.

Effect: The ability to promptly reconcile bank records to the accounting records is a key control which management needs to ensure the accounting records accurately reflect the cash balances. The unreconciled difference between the accounting records and the bank records on October 10, 2001 was \$323,229.

Cause: The conversion to SABHRS created unforeseen problems which caused delays in agencies processing their accounting information. In addition, the department has not implemented procedures to facilitate timely reconciliation between bank records and accounting records.

Recommendation: We recommend the department implement procedures to promptly reconcile cash balances on the accounting records to the bank records as required by state law.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-1 U.S. Department of Agriculture (USDA)
CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and
Children (WIC)

Criteria: USDA Food Nutrition Service (FNS) has identified, as indication of potential non-compliance with WIC program requirements, vouchers being redeemed which the issuing local agencies had reported as voided or unclaimed.

Condition: Participants in the WIC program are issued vouchers which are redeemable for specific food items at participating stores. Issuance and redemption of WIC vouchers are tracked on the WIC computer system which networks the state and local WIC agencies. The WIC computer system generates an edit report that includes information regarding vouchers that have been redeemed prior to an attempt to void the voucher. WIC vouchers are to be voided only when the coupon is in the hands of the local agency or when a police report documenting stolen vouchers is obtained to justify the void. In some circumstances a voucher has already been redeemed at the time a void is attempted. The Department of Public Health and Human Services (department) could not demonstrate they performed follow-up procedures on vouchers identified on the edit report as having been redeemed prior to an attempt to void them.

Questioned Costs: No questioned costs were identified.

Context: The department had WIC expenditures of \$12 million and \$13 million in fiscal year 1999-00 and fiscal year 2000-01, respectively.

Effect: The department does not have internal control procedures to follow up on edits to ensure compliance with federal regulations.

Cause: Personnel indicated edit reports were not being reviewed for a portion of the audit period due to a vacancy in the position responsible for the reviews. However, the department was not able to provide any documentation of review for the period the position was filled.

Recommendation: We recommend the department establish procedures to ensure completion and documentation of reviews of WIC edit reports which identify potential improper use of vouchers.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-2 U.S. Department of Agriculture
CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
CFDA #10.555 National School Lunch Program

U.S. Department of Education
CFDA #84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States

U.S. Department of Health and Human Services
CFDA #93.468 Low Income Home Energy Assistance
CFDA #93.558 Temporary Assistance for Needy Families Program
CFDA #93.596 Child Care Mandatory and Matching Funds of the Child Care and Development
CFDA #93.658 Foster Care - Title IV-E
CFDA #93.667 Social Services Block Grant
CFDA #93.778 Medicaid Assistance Program

Criteria: The Cash Management Improvement Act (CMIA) agreement between Montana and the U.S. Treasury Department requires the state to calculate interest owed to the federal government as a result of not following the specifications outlined in the agreement.

Condition: The Department of Public Health and Human Services (department) personnel did not calculate the beginning cash balances consistently among the different programs. The total disbursements reported on the spreadsheets did not agree to the total expenditures recorded on the accounting system. The ending cash balances calculated through the spreadsheets did not agree to the balances in the cash accounting at June 30, 2000, and the difference could not be attributed to non-federal sources of cash. In addition to systematic inconsistencies involving beginning cash balances and recorded expenditures, we found a keying error for a Medicaid draw. The interest calculation spreadsheet for Medicaid reported a cash draw of \$12,805,120 when the actual cash draw was \$12,925. The error occurred when the employee who prepared the spreadsheet, intending to enter a formula, \$12,805 + \$120, did not enter the + sign.

Questioned Costs: No questioned costs were identified.

Context: We reviewed the interest calculation spreadsheets for eight of the department's nine major federal programs covered by the CMIA agreement in fiscal year 1999-00.

Effect: Misstating balances, cash disbursement, or collection activity could result in erroneous CMIA interest calculations.

Cause: Due to a lack of internal controls, errors were made on the spreadsheets and not detected.

Recommendation: We recommend the department implement controls to ensure the cash management interest obligation calculation spreadsheets submitted to the Department of Administration reconcile with the accounting records and are accurate.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Schedule III – Federal Award Findings and Questioned Costs

Finding #2-3 U.S. Department of Agriculture
CFDA #10.551 & 10.561 Food Stamp Cluster
CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and
Children (WIC)
CFDA #10.555 National School Lunch Program

U.S. Department of Education
CFDA #84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States

U.S. Department of Health and Human Services
CFDA #93.468 Low Income Home Energy Assistance
CFDA #93.558 Temporary Assistance for Needy Families Program
CFDA #93.596 Child Care Mandatory and Matching Funds of the Child Care and
Development
CFDA #93.658 Foster Care - Title IV-E
CFDA #93.667 Social Services Block Grant
CFDA #93.778 Medicaid Assistance Program
CFDA #93.959 Block Grants for Prevention & Treatment of Substance Abuse
(SAPT)

Criteria: Under the terms of the Cash Management Improvement Act (CMIA) agreement (section 7.9), the Montana Department of Public Health and Human Services (department) must draw funds for each program based on a warrant clearance pattern established by the Montana Department of Administration. OMB Circular A-102, Paragraph 2a states “Agency methods and procedures for transferring funds shall minimize the time elapsing between transfer to recipients of grants and cooperative agreements and the recipient’s need for the funds.”

Condition: For the major federal programs covered by the CMIA agreement, we observed instances where the department’s fiscal personnel drew cash earlier than the clearance pattern established in the agreement and significantly more instances where they drew cash later than the clearance pattern established in the agreement. We also noted cash draws which were consistently calculated in a manner contrary to that in the CMIA agreement and expenditures which were not considered in the cash draw calculations for any program. The following paragraphs summarize the cash management problems we found.

- The Social Services Block Grant made 172 draws. Of these, only 17 were made in accordance with the CMIA agreement. The remaining 155 cash draws were late by as much as 14 days.
- We reviewed the department’s spreadsheet of daily cash receipts and disbursements during fiscal year 1999-00 for administrative costs of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). We identified a seven-month period where no cash draws were made. The department should have made 25 draws under the CMIA clearance

pattern in effect during that period. When the department made a draw to cover administrative costs of the WIC program, it was for \$2,099,520.

- Medicaid matching rates vary based on the date the service was provided. Department personnel calculate Medicaid draws based on service center reports of total warrant and electronic funds transfer amounts, which they multiply times the current matching rate to estimate the federal share. Once a month, the service center provides the actual matching amounts based on the dates of the services paid. Department personnel reconcile the estimated amounts based on the current rate to the actual amount based on service data. The reconciliation for June 2001 resulted in an accounting adjustment that increased the federal share and reduced the state share of match by \$899,143. The CMIA agreement requires the draws to be based on actual, not estimated disbursements.
- Cash draws for TANF benefits and administrative costs were made based on estimated disbursements. The CMIA agreement required draws be based on actual disbursements. In one instance, department personnel drew \$1,785,564 instead of actual benefit expenditures of \$1,808,073 one day late.
- Department personnel calculate cash draws based on their calculations on cash disbursement transactions, without considering transactions that should offset these draws, such as a correction of matching rates or a return of benefit payments for which an individual was found to be ineligible after payment was disbursed. Because cash was drawn for these disbursements, then returned, the return funds should be used to reduce the next draw.

For the major federal programs not covered by the CMIA agreement (Food Stamps and the Block Grant for the Prevention and Treatment of Substance Abuse), we observed no routine draw pattern and they consistently had negative cash balances during the audit period. We also found the department's fiscal personnel did not consider the cash balance created through inter-entity loans in calculating the amount of cash to draw for these programs. The existence of the inter-entity loans for these programs often made the cash balance for the programs positive when the balance of federal cash was negative. In other situations, the existence of inter-entity loans did not prevent negative cash balances from occurring.

Questioned Costs: No questioned costs were identified.

Context: The department's expenditures exceeded \$888 million in fiscal year 1999-00 and \$974 million in fiscal year 2000-01, or an average of over \$3.4 million and \$3.7 million, respectively, per working day. The federal government funded 69 percent of these expenditures. In fiscal year 2000-01, the department recorded over \$631 million in federal revenue, a major component of the state's revenue.

Effect: The department is not in compliance with CMIA agreement requirements or OMB Circular A-133, cash management requirements. In a state agency this size, it is important to manage cash flow to ensure cash is available to pay warrants and to maximize investment earnings to the various financing sources.

Cause: The department's controls during the audit period were not adequate to ensure compliance with the federal cash management requirements and ensure timely recording of financial activity used as a basis for cash draws.

Recommendation: We recommend the department:

- A. Implement effective controls to ensure compliance with federal cash management requirements.
- B. Draw federal funds in accordance with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-4 U.S. Department of Defense
CFDA #12.404 National Guard Civilian Youth Opportunities

Criteria: OMB Circular A-87 Attachment A Part C, Section 1(c), requires state entities receiving federal assistance to follow state purchasing policies and procedures. Montana State Purchasing Card Procedures limit purchases to \$5,000 and prohibit splitting purchases to circumvent the limit.

Condition: During June 2000 a National Guard Youth Challenge Program staff member purchased \$13,489 of textbooks and \$6,735 of furniture by splitting the textbook purchase into three separate purchase transactions and split the furniture purchase into two purchases to avoid the purchasing card limit of \$5,000. Three purchase card transactions for lodging expenditures exceeded the cardholder's purchase limit of \$5,000.

Questioned Costs: We question \$14,157 and \$13,094 in fiscal years 1999-00 and 2000-01, respectively.

Context: We reviewed the Youth Challenge Program Purchasing Card purchases during June 2000, looking for multiple purchases from the same vendor during a short time period specifically looking for indications of split purchases. The two purchases noted above were the only split purchases found in fiscal year 1999-00. We reviewed purchase card activity for the first seven months of fiscal year 2000-01 and found three exceptions.

Effect: The department is not in compliance with state purchasing card procedures.

Cause: National Guard Youth Challenge staff said they were not properly trained in purchasing procedures and a lump sum charge is more efficient than individual charges.

Recommendation: We recommend the department develop oversight procedures to ensure compliance with state purchasing policies for credit card purchases.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-5 U.S. Department of Housing and Urban Development (HOME)
CFDA #14.239 Home Investment Partnerships Program
CFDA #14.871 Section 8 Housing Choice Vouchers
CFDA #14.855 and #14.857 Section 8 Housing Choice Vouchers

Criteria: OMB Circular A-87 establishes principles for determining allowable costs incurred by state governments under grants, cost reimbursement contracts and other agreements with the federal government. These principles are used by all federal agencies in determining the reasonableness of costs charged by governmental units to federal programs.

Condition: The HOME and Section 8 programs do not have adequate controls in place to determine that administrative expenditures at the Montana Department of Commerce (department) were allowable costs based on the circular.

Questioned Costs: No questioned costs were identified.

Context: The Montana HOME Investment Partnership Program had federal expenditures of approximately \$4.3 million and \$3.7 million in fiscal years 1999-00 and 2000-01, respectively. The Section 8 Housing Choice Vouchers had federal expenditures of approximately \$11.4 million and \$11.9 million in fiscal years 1999-00 and 2000-01, respectively.

Effect: Without adequate internal controls the possibility exists that the department could pay administrative costs within the Section 8 and HOME programs that are not allowable. No examples of administrative expenditures that were not in compliance with the circular were found.

Cause: One of the program managers was not aware of the circular or aware the department had to follow it. The other program manager was aware of the circular; however, did not believe it applied to the program, because they had a contract with the federal government for the program.

Recommendation: We recommend the department establish controls to ensure only costs allowable under federal regulations are charged to the HOME and Section 8 programs.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-6 U.S. Department of Housing and Urban Development
CFDA #14.239 Home Investment Partnerships (HOME) Program

Criteria: 24 CFR 92.503 states that program income must be used in accordance with the same requirements as original HOME expenditures.

Condition: At the Department of Commerce (department) the Montana Home Investment Partnership Program subgrants money to local governments and to Community Housing Development Organization recipients to expand the supply of decent and affordable housing, particularly for low and very-low income Americans. The HOME program does not have adequate controls in place to determine if the state recipients are spending their program income in accordance with federal requirements.

Questioned Costs: No questioned costs were identified.

Context: The Montana HOME Investment Partnership Program (HOME) had federal expenditures of approximately \$4.3 million and \$3.7 million in fiscal years 1999-00 and 2000-01, respectively.

Effect: Without adequate controls, the possibility exists that program income could be spent on unallowable activities and not be identified by the HOME program.

Cause: The Home program manager was unsure why this control was not in place.

Recommendation: We recommend the department establish controls to ensure HOME program subrecipients are in compliance with federal regulations related to program income.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-7 U.S. Department of the Interior
CFDA #15.904 Historic Preservation Fund Grants-In-Aid

Criteria: OMB Circular A-133 requires recipients to establish controls to ensure costs charged to federal awards are allowable. OMB Circular A-87 provides the criteria to use in determining allowability.

Condition: The Heritage Commission is attached to the Montana Historical Society for administrative purposes. The Commission received a federal award for historic preservation activities. We identified \$727 of charges to the federal award that we believe were not necessary and reasonable for the proper and efficient performance and administration of the federal award. In addition, the equipment and vehicles purchased by the federal award are used approximately 10 percent on state restoration projects. The Heritage Commission has not established controls to allocate these charges among the projects according to the relative benefit received. We questioned \$13,409 of these charges to the federal award.

Questioned Costs: We question \$14,136 charged to the Historic Preservation Fund Grants in Aid in fiscal year 1999-00.

Context: During fiscal year 1999-00 the Heritage Commission charged \$135,218 to the federal award for equipment, construction materials, supplies, and services related to the equipment purchases, including vehicle repair. The Montana Historical Society had \$635,447 of expenditures recorded for the Historic Preservation Fund Grants in Aid federal program.

Effect: The Heritage Commission is not in compliance with federal regulations relating to allowable costs.

Cause: Heritage Commission personnel relied on a contracted employee to determine allowability of federal expenditures.

Recommendation: We recommend the Heritage Commission establish controls to ensure costs charged to federal awards are allowable.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding # 2-8 U.S. Environmental Protection Agency
CFDA #66.458 Capitalization Grants for State Revolving Funds
CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Fund

Criteria: 40 CFR 31 and 43 CFR 12 require grantees to file SF-272 reports for certain federal assistance programs.

Condition: The Department of Environmental Quality (department) does not submit Federal Cash Transactions Reports for any of its federal programs as required by federal regulations.

Questioned Costs: No questioned costs were identified.

Context: The department reported \$30,701,778 and \$27,315,901 of federal expenditures during fiscal years 1999-00 and 2000-01, respectively.

Effect: Noncompliance with federal reporting requirements.

Cause: Department personnel indicated they have not been asked by federal program personnel to submit the reports and therefore, the reports have become a low priority.

Recommendation: We recommend the department file Federal Cash Transactions Reports as required by federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding # 2-9 U.S. Department of Interior
CFDA #15.252 Abandoned Mine Land Reclamation Program (AMLR)

Criteria: OMB Circular A-87 Attachment A, Section C Part 1a, indicates the transaction must be necessary and reasonable for proper and efficient performance and administration of federal awards.

Condition: The Department of Environmental Quality inappropriately used AMLR program money to pay for \$288,040 of mine site reclamation expenditures that were ineligible to the grant by recording transactions improperly on the state's accounting system. These expenditures were the responsibility of the state.

Questioned Costs: No questioned costs were identified.

Context: The department expended \$3,116,337 of Abandoned Mine Land Reclamation moneys in fiscal year 1998-99.

Effect: In fiscal year 1998-99 the department temporarily recorded \$288,040 of unallowable costs to the AMLR program until the alternative source could pay for the costs.

Cause: The department charged the costs to the AMLR program because it did not have the cash available to pay for a mine site reclamation.

Recommendation: We recommend the department use federal funds only for allowable purposes as required by federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-10 U.S. Department of the Interior
CFDA #15.605 Sport Fish Restoration - Fish and Wildlife Cluster
CFDA #15.611 Wildlife Restoration - Fish and Wildlife Cluster

Criteria: The Cash Management Improvement Act (CMIA) agreement between the U.S. Department of the Treasury and the state of Montana requires the Department of Fish, Wildlife, and Parks to draw Sport Fish Restoration and Wildlife Restoration Program funds based on a six-day warrant clearance pattern.

Condition: In our review of cash draws for fiscal years 1999-00 and through September, 2000 we noted the Department of Fish, Wildlife and Parks (department) was drawing cash using a four-day warrant clearance pattern rather than six days as set forth in the CMIA agreement. In addition, the department analyzes cash balances based on when payroll expenditures are recorded on the state's accounting system rather than on payday. Because of average delays of 5.7 days in posting the payroll expenditures to the accounting system, there were delays in drawing the federal cash.

Questioned Costs: No questioned costs were identified.

Context: The Sport Fish Restoration expenditures were \$7,828,009 in fiscal year 1999-00. The Wildlife Restoration expenditures were \$5,964,599 during the same period.

Effect: For fiscal year 1999-00 and through September, 2000 the department was not drawing federal funds according to established clearance patterns and lost interest when delaying the draw of funds for federal payroll expenditures.

Cause: Department personnel were unaware the warrant clearance pattern had changed from four days to six days. Payroll processing delays occurred due to the implementation of the state's new accounting system and internal coding problems.

Recommendation: We recommend the department draw Sport Fish and Wildlife Restoration federal funds in accordance with the Cash Management Improvement Act and draw funds for federal payroll obligations on paydays.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-11 U.S. Department of the Interior
CFDA #15.904 Historic Preservation Fund Grants-In-Aid

Criteria: 43 CFR 12.60 (b) (7) and the grant agreement require the recipient to follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. 43 CFR 12.61 (I) also requires recipients to remit any interest earned on advances in excess of \$100 to the federal grantor agency.

Condition: The Heritage Commission is attached to the Montana Historical Society for administrative purposes. The Commission received a \$1 million historic preservation grant in October 1999. As of June 2000 only \$173,782 of expenditures were incurred under the award. We estimate the state's General Fund received interest earnings of \$35,799 on the advanced federal award.

Questioned Costs: We question the \$35,799 of estimated interest earned on the Historic Preservation Fund Grants in Aid advance in fiscal year 1999-00.

Context: During fiscal year 1999-00 the Heritage Commission incurred \$173,782 of expenditures for the restoration of Virginia City. The Montana Historical Society reported \$635,447 of expenditures for the Historic Preservation Fund Grants in Aid federal program in fiscal year 1999-00.

Effect: The Heritage Commission is not in compliance with federal regulations relating to cash management.

Cause: Heritage Commission personnel were unaware that federal regulations prohibit the state from retaining interest earned on advances for this award.

Recommendation: We recommend the Heritage Commission comply with the cash management provisions of federal regulations and the grant agreement.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

- Finding #2-12** U.S. Department of Labor
- CFDA #17.002 Labor Force Statistics
 - CFDA #17.005 Compensation and Working Conditions
 - CFDA #17.203 Labor Certification for Alien Workers
 - CFDA #17.207 Employment Service
 - CFDA #17.225 Unemployment Insurance
 - CFDA #17.245 Trade Adjustment Assistance - Workers
 - CFDA #17.246 Employment and Training Assistance - Dislocated Workers
 - CFDA #17.248 Employment and Training Research & Development Projects
 - CFDA #17.249 Employment Services and Job Training - Pilot & Demonstration Programs
 - CFDA #17.250 Job Training Partnership Act
 - CFDA #17.253 Welfare-to-Work Grants to States and Localities
 - CFDA #17.257 One-Stop Career Center Initiative
 - CFDA #17.600 Mine Health and Safety Grants
 - CFDA #17.801 Disabled Veterans' Outreach Program (DVOP)
 - CFDA #17.804 Local Veterans' Employment Representative Program
 - CFDA #17.999 National Occupational Information Coordinating Committee Equal Employment Opportunity Commission
 - CFDA #30.002 Employment Discrimination - State and Local Fair Employment Practices Agency Contracts
- U.S. Department of Education
- CFDA #84.186 Safe and Drug-Free Schools and Communities - State Grants
 - CFDA #93.561 Job Opportunities and Basic Skills Training (JOBS)
 - CFDA #94.003 State Commissions
 - CFDA #94.004 Learn and Serve America - School and Community Based Programs
 - CFDA #94.006 AmeriCorps
 - CFDA #94.009 Training and Technical Assistance

Criteria: OMB Circular A-87, Attachment C, states that federal programs are expected to bear their fair share of allowable costs and that working capital reserves for internal service funds should be at a reasonable level, defined for the Montana Department of Labor (department) to be an amount of cash sufficient to cover a maximum of 60 days of operating expenses.

Condition: The department's Central Services Division is funded by charging other department programs for services at a rate intended to allow the division to break even while retaining a cash reserve. The department maintained reserves in excess of the amount allowed during fiscal year 1999-00.

Questioned Costs: We question \$202,185 of expenses charged to federal programs, which is 52 percent of the excess reserves at June 30, 2000.

Context: At June 30, 1999 the department's cash reserve exceeded the 60-day limit by \$381,551 or 84 days. At June 30, 2000 the department's cash reserve exceeded the 60-day limit by \$388,817 or 90 days. Federal programs contributed approximately 52 percent of the funds in the Internal Service Fund.

Effect: Federal programs contributed funds in excess of the actual cost of services provided.

Cause: A department manager said the excess funds accumulated because vacant positions reduced division personal services expenses below the level anticipated in the Internal Service Fund rate, federal program revenue increased, and the department applied a conservative approach to reducing the excess from prior years.

Recommendation: We recommend the department reduce the fund balance in its Internal Service Fund to the allowable 60-day balance.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-13 U.S. Department of Labor
CFDA #17.225 Unemployment Insurance

Criteria: The Federal-State Unemployment Insurance (UI) program regulations are found in 20 CFR Parts 601 through 616. Program regulations require the Montana Department of Labor to file various reports, one of which is the ETA 581, *Contributions Operations* (OMB No. 1205-0178) – Quarterly report.

Condition: The department did not submit, or cause to be submitted, the ETA 581 reports for the quarters ended March 31, 2000, June 30, 2000, and September 30, 2000 until November of 2001, December of 2001, and February of 2002, respectively. In addition, the three quarterly reports due for fiscal year 2000-01 have not been submitted as of February 2002.

Questioned Costs: No questioned costs were identified.

Context: Of the four ETA 581 reports required for fiscal year 1999-00, only two were submitted. The U.S. Department of Labor has placed the state on a continuous improvement plan to correct the reporting deficiency.

Effect: The department did not provide the federal government with required work volume, performance in determining the taxable status of employers, and other program effectiveness data.

Cause: The department entered into a cooperative agreement with the Montana Department of Revenue for assistance in administering the UI program. This agreement requires DOR to provide the Department of Labor and Industry with the necessary information for the report. The DOR was unable to obtain the necessary data from its new computer system for the recent quarters.

Recommendation: We recommend the department work with the Department of Revenue to prepare ETA 581 reports as required by federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-14 U.S. Department of Labor
CFDA #17.207 Employment Service

Criteria: OMB Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Sections 25 and 31c. Proceeds from the sale of real property should be applied to acquiring replacement property for the same program or remitted to the awarding agency in the appropriate cost-sharing ratio.

Condition: In January 2000, the Montana Department of Labor (department) sold real estate that had been used as a local job service office. The department recorded deferred revenue of \$81,001 for the Employment Service grant and revenue of \$30,817 for the Unemployment Insurance administrative grant.

Questioned Costs: We question \$81,001 of costs charged to the Employment Service program.

Context: The department expended over \$5.5 million in the Employment Service program during fiscal year 1999-00. This was the only sale of real estate during the fiscal year.

Effect: The department did not use the proceeds from the sale for either of the purposes approved by the U.S. Department of Labor, which were to build the replacement facilities or pay the debt on its construction.

Cause: A department accountant said the department used bond proceeds to build additions or buy new property in three towns, including the one in which the facility was sold.

Recommendation: We recommend the department dispose of the proceeds of real estate sales in accordance with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-15 U.S. Department of Labor
CFDA #17.225 Unemployment Insurance

Criteria: The Federal-State Unemployment Insurance (UI) program partnership is provided for by Titles III, IX and XII of the Social Security Act of 1935 and the Federal Unemployment Tax Act. The structure of the Federal-State UI program partnership is implemented primarily through state law, specifically Title 39, Chapter 51, MCA. Section 39-51-402, MCA, requires three separate accounts be maintained within the Unemployment Insurance fund: a clearing account; an Unemployment Trust Fund account; and a benefit account. In addition, section 17-2-110, MCA, requires the Department of Labor and Industry (department) to prepare financial records and reconciliations to accurately and comprehensively present its financial activities on the state's primary accounting records.

Condition: UI cash amounts on deposit in the "clearing account," the "benefits account," and the account at the U.S. Treasury do not balance between the bank statements and the state's accounting records at June 30, 1999 and June 30, 2000.

Questioned Costs: No questioned costs were identified.

Context: The UI program expenditures for fiscal year 1999-00 totaled approximately \$67.4 million. Fiscal year 1998-99 expenditures totaled approximately \$64.9 million.

Effect: UI Trust Fund cash balances were understated by approximately \$6.1 million and \$7.4 million at June 30, 1999 and 2000, respectively, on the state's accounting records.

Cause: A department official said the understated cash balance probably resulted from errors over the years. The department reconciles movements of cash (1) from the clearing account to the federal Unemployment Trust Fund and (2) from the Trust Fund to the benefits account, to the federal Trust Fund records monthly. However, the department's reconciliation procedures do not include reconciling the trust fund accounts to the state's accounting records.

Recommendation: We recommend the department include all Unemployment Insurance cash accounts in the reconciliation procedure and record reconciling entries on a monthly basis.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-16 U.S. Department of Labor
CFDA #17.225 Unemployment Insurance (UI)

Criteria: Per state law, MCA 17-7-302(1) “Any valid obligation not paid within the fiscal year, including valid written interagency or intra-agency service agreements for systems development, shall be encumbered for payment thereof at the end of each fiscal year in the Department of Administration’s accounts.”

Condition: The Department of Revenue (department) only billed Department of Labor and Industry (DOLI) for UI service four times during fiscal year 1999-00. However, services provided for UI throughout the year were charged to the General Fund appropriation. The department accrued \$1,115,131 for services provided to DOLI from December 1999 to June 2000 in the Federal Special Revenue Fund. However, \$548,688 of the accrual was not valid because either the work was not completed by June 30, 2000, or was not supported by billings to DOLI. Since the service was not in a complete enough matter to be billed by June 30, 2000, it should not have been accrued on the accounting records as a service that was completed by June 30, 2000. During fiscal year 2000-01, the department billed for all but \$188,320 of the accrual of \$1,115,131 of which we questioned the allowability of \$548,688. The accrual and expenditures of \$188,320 were abated from the Federal Special Revenue Fund in January 2001. No accrual was necessary in fiscal year 2000-01.

Questioned Costs: While reviewing the transactions we found that \$548,688 of an expenditure accrual charged to a federal program was not in compliance with state policy. As a result, we question the allowability of the charge to the federal program.

Context: The department billed the General Fund a total of \$1,801,407 for UI expenditures in fiscal year 1999-00.

Effect: The department is not in compliance with state law.

Cause: Department personnel stated they could not bill DOLI for the \$548,688 because they were unable to enter necessary information on a computer system as required by federal regulations and some of the accrual was based on estimates.

Recommendation: We recommend the department comply with state policy related to expenditure accruals.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-17 U.S. Department of Labor
CFDA #17.225 Unemployment Insurance (UI)

Criteria: Section 3304(a)(3) of the Federal Unemployment Tax Act (FUTA) requires as a condition of employers in a state receiving credit against the federal unemployment tax, that all money received in the unemployment fund shall immediately upon such receipt be paid over to the U.S. Secretary of the Treasury to the credit of the Unemployment Trust Fund established by Section 904 of the Social Security Act.

Condition: From the time POINTS was implemented in December 1999 until February 7, 2000, UI receipts totaling \$842,953 were not transferred to the U.S. clearing account as required by federal regulations. The receipts were deposited in the state treasury. The Department of Revenue (department) negotiated with the federal Department of Labor and has paid approximately \$8,500 for interest earned by the General Fund that the receipts would have earned in the U.S. Treasury accounts. Another calculation and interest payment will have to be made for the time period between February 8, 2000, and the date the problem is corrected. The department implemented procedures in March 2001 which greatly improved the timeliness of UI deposits. We tested and found for the period from April through June of 2001 that the average number of days from receipt to deposit into the trust fund was 2.88 days. Despite the improvement the department is still not in compliance with federal UI deposit regulations that requires UI receipts to be deposited on the average within 2 days of receipt for fiscal year 2000-01.

Questioned Costs: No questioned costs were identified.

Context: UI deposits are approximately \$60 million and from the time the Process Oriented Integrated System (POINTS) was implemented in December 1999 until February 7, 2000, UI receipts totaling \$842,953 were not transferred to the U.S. clearing account. The receipts were deposited in the state treasury. The department negotiated with the federal Department of Labor and has paid approximately \$8,500 for interest earned by the General Fund that the receipts would have earned in the U.S. Treasury accounts.

Effect: Noncompliance with federal UI deposit regulations could jeopardize employers' use of the state tax as a credit against the federal tax and result in the loss of administration grant funds used to administer the UI program.

Cause: Department personnel stated that POINTS does not have the information necessary to immediately deposit the funds in the correct accounts that are required for UI.

Recommendation: We recommend the department comply with federal law related to the immediate deposit of UI receipts in the U.S. Treasury clearing account.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-18 U.S. Department of Transportation
CFDA #20.205 Highway Planning and Construction

Criteria: OMB Circular A-133, Section 400, establishes requirements for monitoring federal funds subgranted.

Condition: The Montana Department of Transportation (department) subgrants federal funds to other entities. Federal regulations require the department to review the results of audits of subrecipients as necessary to determine whether corrective action has been taken with respect to audit findings. Our prior audit of the department noted concerns related to the department's monitoring of federal funds provided to subrecipients. The department represented to the Office of Audit Resolution and Cost Policy at the federal Department of Health and Human Services that procedures have been implemented to obtain and review audit reports and include standardized contract language to address monitoring requirements. The department could not provide documentation to support its contention that procedures or standardized compliance contract language had been implemented.

Questioned Costs: No questioned costs were identified.

Context: The department subgranted \$5,724,539 in fiscal year 1999-00 and \$6,313,039 in fiscal year 2000-01 to non-state entities.

Effect: The department is not in compliance with all subrecipient monitoring requirements of OMB Circular A-133.

Cause: The department could not provide documentation to support the development and implementation of procedures to monitor subrecipients in accordance with federal regulations.

Recommendation: We recommend the department establish and implement procedures to ensure all federal funds subgranted are monitored in accordance with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-19 U.S. Environmental Protection Agency
CFDA #66.458 Capitalization Grants for State Revolving Funds
CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Fund

Criteria: 40 CFR 31.35 prohibits awards or subawards to debarred and suspended parties.

Condition: The Department of Natural Resources (department) did not require loan applicants to certify that they are not suspended or debarred from participating in federal assistance programs before approving them for loans under the federal Clean Water or Drinking Water State Revolving Fund programs until January 2002. Federal regulations require the state to obtain the certification in writing from the entity that the organization and its principals are not suspended or debarred before using federal funds for grants, contracts, or loans.

Questioned Costs: No questioned costs identified.

Context: The department issued 14 and 11 new drinking water loans in fiscal years 1999-00 and 2000-01, respectively. They issued 13 and 17 new clean water loans in fiscal years 1999-00 and 2000-01, respectively.

Effect: Noncompliance with federal regulations concerning suspension and debarment set forth in 40 CFR 31.35 until January 2002

Cause: The department requires successful loan applicants sign an agreement that they agree to comply with all applicable federal regulations. Department personnel indicated they were unaware that a more specific certification is required for suspension and debarment.

Recommendation: We recommend the department require recipients of federal funds to certify that the organization and its principals, if any are not suspended or debarred as required by federal regulations

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-20 U.S. Environmental Protection Agency
U.S. Department of the Interior
U.S. Department of Energy
CFDA # Various

Criteria: OMB Circular A-87, Attachment B, Section 11(d)(2), requires compensation for personal services to be equitably allocated to all related activities.

Condition: The Department of Environmental Quality (department) maintains leave pools with two different rates used to fund leave taken by certain employees who accumulate leave while working in state and federal programs. The two leave pools were moved to the department from two former state agencies when state programs were reorganized to form the department. Leave for the majority of department employees is not covered by either of the two leave pools. In our prior audit we recommended the department review its leave pool accounting procedures and ensure the procedures are uniformly and equitably applied.

Questioned Costs: We question leave pool charges amounting to \$116,731, \$38,797 and \$46,652 in fiscal year 1998-99, 1999-00, and 2000-01, respectively.

Context: The department reported \$30,701,778 and \$27,315,901 of federal expenditures in fiscal years 1999-00 and 2000-01, respectively.

Effect: For the leave pool costs to be allowed for federal programs, the costs must be uniformly applied to all related activities of the governmental unit. Since the leave pool rates are not consistently applied to all employee leave, the costs are unallowable under federal regulations.

Cause: The department concurred with our prior audit recommendation, but did not implement it. Department personnel stated they met with other state agency personnel regarding developing a unified approach that could be implemented statewide, but did not get the support necessary to do that.

Recommendation: We recommend the department charge its leave costs uniformly and equitably in accordance with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-21 U.S. Department of Education
CFDA #84.038 Federal Perkins Loan Program - Federal Capital Contributions

Criteria: 34 CFR 674.48 states “An institution that contracts for performance of any duties under this subpart remains responsible for compliance with the requirement of this subpart in performing these duties, including decisions regarding cancellation, postponement, or deferment or repayment, extension of the repayment period, other billing and collection matters, and the safeguarding of all funds collected by its employees and contractors.”

Condition: Montana State University-Bozeman (MSU-Bozeman) is responsible for the loan collection process and accounting for student loans. The university contracts with a third party to collect loan repayments from students and account for the proceeds. A private CPA firm prepares a report which documents whether the university’s Perkins loan collections are processed in accordance with federal regulations. University personnel receive this report, but they do not read or review it.

Questioned Costs: No questioned costs were identified.

Context: MSU-Bozeman processed \$14.4 million in Perkins student loans in fiscal year 2000-01.

Effect: Because federal regulations hold the university responsible for the loan collection process and accounting for student loans, even when these activities are contracted for through a third party, university personnel should read the report and take appropriate action if instances of non-compliance are reported.

Cause: The university contracts with a third party to collect loan repayments from students and account for the proceeds. University personnel only request the CPA firm prepared report for the internal auditors.

Recommendation: We recommend the university ensure appropriate personnel at MSU-Bozeman read the compliance report for its Perkins Loan Program and take appropriate action on any reported instances of non-compliance with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-22 U.S. Department of Health and Human Services
CFDA #93.775, #93.777, & #93.778 Medicaid Cluster

Criteria: Montana state law, section 2-15-114, MCA, states that each department is responsible for assuring an adequate level of security for all data and information technology resources within the department.

Condition: The Department of Public Health and Human Services (department) does not have a control procedure to ensure employees who terminate employment with the department have access to the Medicaid Management Information System (MMIS) eliminated at the time of termination.

Questioned Costs: No questioned costs were identified.

Context: MMIS processes Medicaid benefit payments in excess of \$400 million each year.

Effect: No employees who terminated from the department within the six-month period from February through July 2001 lost their access rights to MMIS. The rights include the authority to by-pass certain system edits to pay Medicaid claims.

Cause: The department's interim MMIS coordinator said he had not had time to review the MMIS access list for terminated employees.

Recommendation: We recommend the department implement a procedure to ensure that MMIS access granted to employees is cancelled when employment is terminated.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-23 U.S. Department of Health and Human Services (HHS)
CFDA #93.775, #93.777 & #93.778 Medical Cluster

Criteria: Per 42 CFR 433.316 requires the department to refund Medicaid overpayments to the Health Care Finance Administration (HCFA) within 60 days from the date of discovery regardless of whether the overpayment has been collected from the Medicaid provider. Regulations define the date of discovery as the earliest of the date a provider is notified in writing of an overpayment, the date a provider acknowledges an overpayment, or the date the state initiates action to recoup an overpayment. The refund must be made through a credit on the Medicaid Quarterly Statement of Expenditures report (HCFA-64).

Condition: The Department of Public Health and Human Services (department) identified an overpayment of claims to the Indian Health Service (IHS). The department sent a letter to IHS dated December 30, 1999 which included a specified overpayment amount. The related overpayment was included on the Medicaid report HCFA-64 for the quarter ended June 30, 2000. The overpayment should have been reported on the March 31, 2000 report.

Questioned Costs: No questioned costs were identified.

Context: The department distributed \$20,538,914 in Indian Health benefits in FY 1999-00.

Effect: Non-compliance with federal regulations 42 CFR 433.316. Repayment has occurred.

Cause: Per department personnel, adjustments are only reported on the HCFA-64 on the June 30th quarterly report due to preparation and processing simplicity.

Recommendation: We recommend the department establish procedures to ensure Medicaid overpayments are reported on the Medicaid expenditure report in accordance with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-24 U.S. Department of Health and Human Services (HHS)
CFDA #93.959 Block Grants for Prevention and Treatment of Substance Abuse (SAPT)

Criteria: OMB Circular A-102 permits working capital advances of federal funds to grantees. Under provisions of the circular, the awarding agency shall advance cash to the grantee to cover its estimated disbursement needs for an initial period, generally geared to the grantee's disbursement cycle. The circular requires the recipient of federal funds have procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees.

Condition: Federal regulations governing SAPT grants allow grantees to establish a revolving loan account to provide housing loans to recovering substance abusers. The Department of Public Health and Human Services (department) contracted with a service provider to administer a revolving loan program. The department disbursed \$20,000 to the contractor in July 2000 as an advance, which was used as a beginning balance in the account at a financial institution opened to handle loan transactions. Since the disbursement cycle for the loan program is not predictable, the contract provisions concerning the advance do not comply with federal cash management regulations.

Questioned Costs: Although reimbursement of loans is allowable, we question the advance payment.

Context: The department only had one advance loan payment during the audit period. The department spent \$4,890,430 in SAPT expenditure in fiscal year 2000-01.

Effect: The department is not in compliance with federal cash management regulations.

Cause: Department officials were not aware of compliance requirements in drawing federal funds to cover the loans.

Recommendation: We recommend the department seek revision of the contract related to the revolving housing loan account to achieve compliance with federal cash management regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-25 U.S. Department of Health and Human Services
CFDA #84.126 Rehabilitation Services - Vocational Rehabilitation Grants to State
CFDA #93.558 Temporary Assistance for Needy Families (TANF)

Criteria: Regulation 45 CFR 74.53 and 34 CFR 80c.42 requires the Department of Public Health and Human Services (department) retain all financial records, supporting documents, statistical records, and all other records pertinent to an award for a period of three years from the date of submission of the final expenditure report.

Condition: There were two instances found where the department did not comply with records retention requirements.

Questioned Costs: No questioned costs were identified.

Context: The department was unable to provide supporting documentation for reviews being conducted at the county level for the TANF program. The department could not find supporting documentation for eight of the nine cash draw documents tested for the Vocational Rehabilitation grant.

Effect: The department is not in compliance with federal regulations regarding records management.

Cause: The department management indicated the individual who conducted the review for the TANF program was no longer employed in her position and when the employee left, she kept the supporting documentation. Department personnel said the cash draws for the Vocational Rehabilitation grant were made based on daily cash balances obtained from a report downloaded from the state's accounting records on the day of the draw. The report was not retained.

Recommendation: We recommend the department implement control procedures to ensure state records and supporting documentation related to a federal award are maintained in accordance with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-26 U.S. Department of Health and Human Services (HHS)
CFDA #93.563 Child Support Enforcement

Criteria: 45 CFR 307.10 states “At a minimum, each state’s computerized support enforcement control, account for, and monitor all the factors in the support collection and paternity determination processes under the State plan. At a minimum this must include: (1) Maintaining identifying information such as social security numbers, names, dates of birth, home addresses and mailing addresses (including postal zip codes) on individuals against whom support obligations are sought to be established or enforced and on individuals to whom support obligations are owed, and other data as required by the office...”

Condition: Social security numbers (SSN) are used for the majority of enforcement techniques to identify sources of income that could be collected for the custodial parent. Our audit determined the Department of Public Health and Human Service’s (department) System for the Enforcement and Recovery of Child Support (SEARCHS) had current, open child support cases with invalid SSNs.

Questioned Costs: No questioned costs were identified.

Context: We identified 807 absent parents with a current, open child support case with invalid SSNs on the system.

Effect: If invalid SSNs are used, income will not be collected and paid to the custodial parent.

Cause: Department personnel indicated they were in negotiations with the Social Security Administration in 2000 to update their agreement and SSN interface capabilities.

Recommendation: We recommend the division correct invalid or missing social security numbers for absent parents currently on the SEARCHS system and establish procedures to ensure that absent parent information includes a valid social security number.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-27 U.S. Department of Health and Human Services
CFDA #93.775, 93.777, 93.778 Medicaid Cluster
CFDA #93.658 Foster Care - Title IV-E
CFDA #93.563 Child Support Enforcement

Criteria: 45 CFR 95.621(f) require the Montana Department of Public Health and Human Services (department) establish procedures for review and analysis of data processing and system security issues for systems used to administer Medicaid, Child Support Enforcement and Title IV-E Foster Care. These regulations include directives regarding risk analyses to ensure both new and existing systems include appropriate, cost effective controls. The department is required to perform risk analysis whenever significant system changes occur and to review system security installations on a biennial basis. At a minimum, the reviews are to address evaluation of physical and data security operating procedures, and personnel practices. The department is to maintain reports on the biennial reviews, together with pertinent supporting documentation, for U.S. Department of Health and Human Services onsite reviews.

Condition: The automated data processing system, which impact the above programs, are Montana Medicaid Management Information System, The Economic Assistance Management System, System for the Enforcement and Recovery of Child Support, Child and Protective Services, Agency Wide Accounting and Client System and the state's accounting system. The department has just started to gather information on all systems and their related security. The department has not completed the required risk analysis.

Questioned Costs: No questioned costs were identified.

Context: OMB Circular A-133 Compliance Supplement identifies this regulation as a special test and provision for the Medicaid Cluster. Total expenditures for the Medicaid Cluster in the fiscal years 1999-00 and 2000-01 were approximately \$347.6 million and \$385.9 million, respectively.

Effect: The department is not in compliance with federal regulations for review and analysis of data processing and system security issues for systems.

Cause: Department management was made aware of these requirements during the prior audit but has not established a system of review and risk analysis.

Recommendation: We recommend the department develop a system security and risk review plan and document the results of the review in order to comply with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-28 U.S. Department of Health and Human Services
CFDA # Various

Criteria: OMB Circular A-102 Section 1, Part d requires agencies to establish procedures for the effective use of the federal List of Parties Excluded from Federal Procurement or Nonprocurement programs to ensure they do not award assistance to listed parties.

Condition: The Department of Public Health and Human Services (department) makes payments to medical service providers through the Medicaid Management Information System (MMIS) and payments to certain other sub grantees and vendors through Agency Wide Accounting and Client System (AWACS). When the department renews certain service contracts by extending the date of the original contract, the department does not check suspension and debarment status of the contractor and does not update suspension and debarment contract language.

Questioned Costs: No questioned costs were identified.

Context: Contracts for service organization, data processing enhancements, and renewals of such service contracts are not reviewed for updated language required by department's legal counsel. These constitute a small number of higher dollar contracts.

Effect: The department is not in compliance with federal regulations regarding certification that vendors have not been suspended or debarred.

Cause: The department's legal department set contract requirements, but program staff have responsibility to include required language in the contracts executed by the department.

Recommendation: We recommend the department develop an approval process to ensure the department is not contracting with suspended or debarred parties.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-29 U.S. Department of Health and Human Services (HHS)
CFDA #93.959 Block Grants for Prevention and Treatment of Substance Abuse (SAPT)

Criteria: 45 CFR 96.124(a)(1) and (2) requires states to earmark a portion of the Block Grants for prevention and treatment of alcohol and other drugs. The OMB Circular A-133 compliance supplement for SAPT states that a state is required to obligate all of the funds awarded during the fiscal year of the award. Amounts obligated by the state which remain unexpended at the end of the fiscal year for which the amounts were awarded shall remain available until the end of the succeeding fiscal year.

Condition: When we reviewed the Department of Public Health and Human Services (department) contract, expenditure, and cash draw records, we were unable to verify that expenditures occurred in the period for which the grant award was available and that limitations on expenditures by earmarked category were satisfied. The department did not record SAPT grant expenditures by grant award year and earmarked category on the state's accounting records.

Questioned Costs: No questioned costs were identified.

Context: The department made SAPT expenditures of \$4,632,762 and \$4,890,430 in fiscal years 1999-00 and 2000-01, respectively.

Effect: Department controls do not provide a means for agency personnel to monitor and ensure compliance with SAPT earmarking provisions and period of availability requirements.

Cause: Department personnel set up accounts on the state's accounting records in January 2001, to track expenditure by grant award year. Prior to that time, the accounting records did not accumulate expenditures by award year.

Recommendation: We recommend the department implement procedures to track earmarked expenditure categories by grant year for the SAPT grant and monitor expenditures to ensure each charge is properly obligated or paid within the period of availability of the grant.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-30 U.S. Department of Health and Human Services (HHS)
CFDA #93.558 Temporary Assistance for Needy Families (TANF)

Criteria: 45 CFR part 205.55 and Section 42 USC 1320b-7 require the Department of Public Health and Human Services (department) to verify income including unemployment and unearned income for all TANF participants from sources including the Internal Revenue Service (IRS). In Montana, the Department of Labor and Industry (DOLI) is the agency charged with tracking unemployment income (UI).

Condition: The Economic Assistance Management System (TEAMS) is used by the department for TANF eligibility determination and benefits calculation. As of April 1, 2001, the automated interface for wage verification became unavailable to TEAMS users due to the implementation of a UI new computer program at the DOLI. As of August 23, 2001, the department still did not have access to wage verification information from DOLI. Additionally, in 1997 the department had a contract with the IRS to allow for wage information exchange, but no information was ever exchanged. When the TANF oversight personnel became aware the information exchange was not occurring, the contract with the IRS had expired. As a result, department personnel were unable to verify wage information on-line for new applicants or identify changes in wages for established clients. The county offices were sent hard copy reports of wage information. However, personnel indicated the information is untimely and difficult to locate. Caseworkers indicated the county offices have to seek reimbursement for overpayments made to clients in the absence of accurate and timely income information.

Questioned Costs: No questioned costs were identified.

Context: The department made \$29,587,514 and \$35,297,065 in TANF expenditures in fiscal years 1999-00 and 2000-01, respectively.

Effect: The department was not in compliance with 45 CFR Part 205.55 and Section 42 USC 1320b-7 federal regulations during part of the audit period.

Cause: On April 1, 2001, the automated interface between the DOLI and TEAMS became unavailable. Additionally, the contract the department had with the IRS for wage information exchange had expired.

Recommendation: We recommend the department establish procedures to ensure wage verification for TANF participants.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-31 U.S. Department of Health and Human Services (HHS)
CFDA #93.563 Child Support Enforcement

Criteria: 45 CFR 303.31 grants departments authority to include medical support in all new or modified orders of support if the child does not have satisfactory health insurance other than Medicaid.

Condition: Part of the documentation to establish a case is the support order in effect. A medical insurance indicator is entered on the Department of Public Health and Human Service's (department) System for the Enforcement and Recovery of Child Support (SEARCHS) indicating any medical support required. During our audit, we noted that not all cases with a Montana support order had included the medical support.

Questioned Costs: No questioned costs were identified.

Context: We identified 433 child support cases with a Montana support order, where each case is an open assigned account for public assistance reimbursement; however, the order omitted medical support.

Effect: Additional expenses for medical payments may be incurred by Medicaid.

Cause: Department personnel stated that they have not been modifying support orders because of a ruling by the Supreme Court of Montana enjoining the Child Support Enforcement Division (CSED) from modifying support orders issued by a Montana District Court. During the 57th Montana legislative session, the department was granted the authority to administratively modify orders effective July 1, 2001.

Recommendation: We recommend the division ensure medical support obligations are included in Montana support orders for public assistance recipients, in accordance with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-32 U.S. Department of Health and Human Services (HHS)
CFDA #93.563 Child Support Enforcement

Criteria: 45 CFR 307.10 states “At a minimum, each State’s computerized support enforcement system established under the Title IV-D State plan at Sec. 302.85(a) (1) of this chapter must: ...(b) control, account for, and monitor all the factors in the support collection and paternity determination processes under the State plan. At a minimum this must include:...(5) collecting and distributing both intrastate and interstate support payments.”

Condition: Public assistance cases referred to the Department of Public Health and Human Services(department) were not interfacing between the department’s two computer systems. This resulted in caseworkers not performing necessary actions in the required timeframes. We also determined the monthly public assistance reimbursement amount does not reconcile between the System for the Enforcement and Recovery of Child Support (SEARCHS) and the public assistance system.

Questioned Costs: No questioned costs were identified.

Context: We reviewed public assistance cases referred in the month of February 2001.

Effect: If child support collections are received and an account is not set up on SEARCHS, the state will not be reimbursed for the public assistance. In turn, the custodial parent incorrectly receives payment for both the public assistance and child support. Each month, the difference between the child support collections and public assistance is calculated by SEARCHS, and any amount of collections exceeding the public assistance amount is to be paid to the custodial parent. The division has not been paying parents receiving public assistance the excess collections due to the unreconciled difference.

Cause: Department personnel stated they are aware the interface is not working accurately, but have not been able to isolate the problems with the interface because they are focusing programming efforts on other priorities. The division is currently working on reconciling the total amount due on accounts or determining whether the money belongs to the state. Personnel indicated they have had problems determining the total dollar amount of public assistance because some of the records were purged from The Economic Assistance Management System (TEAMS). Once Child Support Enforcement Division is confident money is owed, personnel said they intend to distribute the payments.

Recommendation: We recommend the division: 1) resolve programming problems to ensure that data interfaces completely and accurately, 2) reconcile current open TEAMS cases with SEARCHS cases to ensure that assigned cases are set up appropriately, 3) distribute excess reimbursed public assistance amounts to custodial parents.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-33 U.S. Department of Health and Human Services (HHS)
CFDA #93.563 Child Support Enforcement

Criteria: 45 CFR 302.32 (1) requires the state to distribute all amounts collected within two business days after receipt if sufficient information identifying the payee is provided.

Condition: Child support collections are recorded daily to the Child Support Enforcement Division (CSED) collection system. This system feeds the payment information to the System for the Enforcement and Recovery of Child Support (SEARCHS). A daily report is generated that lists all payments with exceptions. Examples of exceptions include warrants less than ten dollars; unknown addresses; payments requiring manual intervention; no open account associated with participant making payment; and unknown participant making the payment. Custodial parents do not receive their entitled support until the payment exception is resolved. Our audit found payment exceptions that had been unresolved for more than two weeks. Two payments on the exception report dated back to May 1993.

Questioned Costs: No questioned costs were identified.

Context: We reviewed the payment exception report for March 21, 2001. This report contained 490 payment exceptions totaling \$40,744 that had been unresolved for more than two weeks. There were exceptions totaling \$8,159 where the absent parent making the payment is not recognized by the SEARCHS system.

Effect: Custodial parents do not receive their entitled support until the payment exception is resolved.

Cause: Federal regulation requires the state to distribute amounts collected within two business days after receipt, however there are no policies or procedures outlining the division's responsibility for resolving payment exceptions in a timely manner.

Recommendation: We recommend CSED establish procedures for prompt resolution and distribution of child support payment exceptions.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-34 U.S. Department of Health and Human Services (HHS)
CFDA #93.667 Social Services Block Grant (SSBG)

Criteria: 45 CFR 92.20, Part b2 requires grantees to maintain records which adequately identify the source and application of funds provided for financial assisted activities including awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition: The financial data reported to HHS by the Department of Public Health and Human Services (department) was not supported by the accounting records. This includes a carryforward on its SSBG program report and an expenditure report for June 30, 2000, which did not include Temporary Assistance for Needy Family Program (TANF) funds transferred to SSBG and spent under SSBG regulations.

Questioned Costs: No questioned costs were identified.

Context: The department spent SSBG assistance of \$9,378,243 and \$9,750,380 in fiscal years 1999-00 and 2000-01, respectively.

Effect: The department submitted unsubstantiated reports to the federal government.

Cause: Department personnel indicated the error occurred because three divisions now use SSBG funds instead of one as in previous years.

Recommendation: We recommend the department establish procedures to ensure federal Social Services Block Grant reports are supported by the accounting records.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-35 U.S. Department of Health and Human Services (HHS)
CFDA #93.044 Special Programs for the Aging - Title III, Part B - Grants for
Supportive Services and Senior Centers
CFDA #93.045 Special Programs for the Aging - Title III, Part C - Nutrition Services

Criteria: 45 CFR Part 1321 lays out the guidelines for Grants to State and Community Programs on Aging. This includes a requirement that each state agency ensure that residents of long-term care facilities in Montana communities have access to regular visits from Certified Local Ombudsmen.

Condition: The Aging Services Bureau (ASB) has not ensured the residents of long-term care facilities in some Montana communities have access to regular visits from Certified Local Ombudsmen as required under federal regulations to protect a vulnerable population.

Questioned Costs: No questioned costs were identified.

Context: Prior to October 2001, seven communities are without a local ombudsman and one community had a half-time ombudsman to serve 21 long-term care facilities. In October 2001, a certified local ombudsmen was hired for one area and the half-time ombudsman is full-time.

Effect: Several Montana communities are without a local ombudsman. Without regular visits by local ombudsmen to long-term care facilities, residents do not have access to advocate services should they have concerns their rights are being violated.

Cause: ASB staff allocates federal and state funding to the 11 area agencies based on a prescribed funding formula. According to ASB staff, the funding granted to local area agencies is used for local identified needs. In some local communities ombudsman services have not been considered a high priority.

Recommendation: We recommend the ASB develop a plan to ensure Certified Local Ombudsman services are available monthly to long-term care facility residents in all Montana communities.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-36 U.S. Department of Health and Human Services (HHS)
CFDA #93.044 Special Programs for the Aging - Title III, Part B - Grants for
Supportive Services and Senior Centers
CFDA #93.045 Special Programs for the Aging - Title III, Part C - Nutrition Services

Criteria: According to 45 CFR part 1321 lays out the guidelines for Grants to State and Community Programs on Aging. This includes the requirement that each state have an approved funding formula used to allocate federal and state funding to area agencies.

Condition: The Aging Services Bureau (ASB) contracts with 11 Area Agencies on Aging to provide services to senior citizens. The formula considers factors such as senior citizen populations and the numbers of low income and minority populations within the geographical area of the agencies' boundaries. The state's methodology recognizes the higher costs for providing services in rural counties. The state's methodology also assures Area Agencies on Aging with greater percentages of low income and minority populations will receive additional funding to provide aging services. To calculate the senior citizen population funding factor for the majority of area agencies the ASB allocates the funds based on total population of elderly in the area. To calculate the percentage of funding for the tribal area agency the ASB uses the population of Native American seniors living on the reservation. Seniors living on the reservation, who are not Native American are included and credited to the area agency whose boundaries encompass the reservation. The Area Agencies on Aging officials have notified the ASB they are not in compliance with federal requirements in relation to their funding distributions. They have also notified ASB Area VII that they should provide services to all elderly populations living on Native American Reservations.

Questioned Costs: No questioned costs were identified.

Context: We reviewed the funding allocation of 11 Area Agencies on Aging.

Effect: The actual allocation by ASB differed from the federally approved allocation. Overpayments ranged between \$47 and \$46,307. There was one under payment for \$70,066. Also, analysis of funding allocation methodologies used by three area agencies indicate counties, particularly more rural counties, with greater percentages of low-income and minority populations receive less funding that if the area agencies had used the state's methodology.

Cause: The ASB staff has not examined area agency funding methodologies in recent years. The bureau also considers funding methodologies a matter of allowing local agencies to retain control of their funding. One area agency director said the state's funding methodology is complicated and difficult to explain to local aging services representatives, and was unsure how the area agency would implement a similar methodology at the local area. Another area agency director said federal and state allocation methodologies already address the minority and low-income issues, and using similar methodologies at the local level are not needed.

Recommendation: We recommend the Aging Services Bureau staff review how Area Agencies on Aging allocate funding to assure area agency methodologies appropriately address the state plan requirements relating to low-income and minority populations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-37 U.S. Department of Health and Human Services (HHS)
CFDA #93.775 State Medicaid Fraud Control Units

Criteria: OMB Circular A-102, Common Rule, 883 A, Section 21, states grantees must remit interest earned on advances to the federal agency at least quarterly.

Condition: The Department of Justice (department) operates the federal Medicaid Fraud Control Unit (unit). The unit receives a portion of amounts recovered when Medicaid fraud cases are finalized. The settlements funds received by the unit are considered program income of the federally funded unit. Federal regulations require the unit to obtain approval from the federal Department of HHS to spend program income. In February 2001, the department received and deposited program income for the unit. In October 2001, the department received permission to spend the program income. The amount of interest earned on these funds was \$3,200. Federal regulations require the grantees to either remit interest earned or seek federal authority to spend the interest.

Questioned Costs: No questioned costs were identified.

Context: We reviewed all the program income received in fiscal years 1999-00 and 2000-01. This amounted to \$12,022 and \$84,000 in fiscal years 1999-00 and 2000-01, respectively. A settlement of \$75,000 received in fiscal year 2000-01 was the only payment that earned a significant amount of interest.

Effect: Non-compliance with federal regulation OMB Circular A-102, Common Rule, 883 A, Section 21.

Cause: Department personnel indicated they were unaware of the federal requirements regarding payment of interest.

Recommendation: We recommend the department establish accountability for interest earned on the federal program income funds of the Medicaid Fraud Control Unit.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-38 U.S. Department of Health and Human Services (HHS)
CFDA #93.775 State Medicaid Fraud Control Unit

Criteria: 31 CFR 205.20 states cash advances shall be limited to the minimum amounts needed and shall be timed to be in accord with the actual immediate cash requirements of the program. The timing and amount of the advances shall be as close as is administratively feasible to the actual cash outlay.

Condition: The Department of Justice (department) made inconsistent cash draws in relation to the expenditures for the unit. Some months federal cash draws exceeded expenditures while in other months, expenditures exceeded cash draws. Although the department indicated cash draws are executed monthly, we identified five months during the audit period that no federal deposits were recorded.

Questioned Costs: No questioned costs were identified.

Context: The department reported \$378,496 and \$305,561 of expenditures in fiscal years 1999-00 and 2000-01, respectively.

Effect: Non-compliance with federal cash management regulations.

Cause: Per department personnel, cash draws for the Medicaid Fraud Control Unit have historically been done based on expected upcoming expenditures and cash flow needs.

Recommendation: We recommend the department establish procedures to ensure cash draws from the federal government are executed in accordance with federal regulations and state law.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-39 U.S. Department of Health and Human Services (HHS)
CFDA #93.775 State Medicaid Fraud Control Units

Criteria: 42 CFR 1007.19(e)(4) states federal funds are not available for expenditures attributable to performance by a person other than a full-time employee of the unit for any functions including management, audit, investigation, legal, or prosecution.

Condition: Travel expenditures for a Department of Justice (department) administrator who was not a full-time employee of the unit were allocated to the Medicaid Fraud Control Unit.

Questioned Costs: Questioned costs identified were less than \$600.

Context: The department reported \$378,496 and \$305,561 in expenditures in fiscal years 1999-00 and 2000-01, respectively.

Effect: The department is not in compliance with 42 CFR 1007.19(e)(4) and unallowable costs were charged to the grant.

Cause: Agency personnel indicated travel expenditures of the administrators have routinely been allocated to the funding sources of the programs administered by the Division of Criminal Investigation.

Recommendation: We recommend the department revise travel cost allocation procedures to ensure expenditures charged to the Medicaid fraud grant are allowable.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-40 Various Federal Agencies
CFDA # Various - Research and Development Cluster

Criteria: OMB Circular A-21 requires activity reports for federal grants and contracts accurately reflect employee activities. These reports are required to be signed by the employee, principal investigator, or responsible official who has suitable means of verifying the work was actually performed.

Condition: At The University of Montana-Missoula the geology department does not appropriately certify employee time and effort reports as required by federal regulation. An administrative aide, who does not have direct knowledge of what work was performed by employees, is certifying the time.

Questioned Costs: We question \$85,521 and \$112,479 of personal service charges to various grants and contracts for fiscal year 1998-99 and 1999-00, respectively.

Context: We reviewed time and effort reporting for four grants at the Missoula campus and identified only the geology department was in noncompliance.

Effect: The University of Montana-Missoula is not in compliance with OMB Circular A-21.

Cause: This certification method was used to expedite processing of time and effort reports for the department.

Recommendation: We recommend The University of Montana-Missoula monitor its employee time and effort reporting system to ensure certification reports are certified in accordance with federal regulations.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-41 Various Federal Agencies
CFDA # Various - Research and Development Cluster

Criteria: OMB Circular A-21 requires that recipients of federal funds keep documentation to support the propriety of all costs charged to federal programs.

Condition: Montana Tech of The University of Montana (UM-Tech) charges federal grants and contracts a percentage of personal services costs for employee benefits. These charges are deposited into a leave pool. Prior to July 1, 1999 UM-Tech had not recalculated its leave pool rate since fiscal year 1993-94. On July 1, 1999 UM-Tech changed its leave pool rates to the rates used by another campus. The UM-Tech does not have adequate documentation to support the leave rates used for its leave pool.

Questioned Costs: We question \$149,403 and \$160,059 of charges to various grants and contracts for fiscal years 1998-99 and 1999-00, respectively.

Context: We reviewed the adequacy of leave pool rate support for fiscal years 1998-99 and 1999-00 at the UM-Tech.

Effect: UM-Tech is not in compliance with OMB Circular A-21.

Cause: UM-Tech personnel believed that by setting the leave pool rates the same as the other campus it could rely on that campus' documentation to support the leave pool rates.

Recommendation: We recommend Montana Tech of The University of Montana adequately support the leave pool rates as required by federal regulation.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-42 U.S. Department of Labor
CFDA #17.253 Welfare-to-Work Grants to States and Localities

Criteria: OMB Circular A-87, Attachment A, Section C.1.d, states that costs must conform to the terms and conditions of the federal award to be allowable costs under the award.

Condition: The Department of Labor and Industry (department) charged costs to the Welfare to Work grant in excess of the amount authorized in grant award letters. The department did not draw funds from the U.S. Department of Labor for the charges because the authority to do so had been exhausted.

Questioned Costs: We identified \$200,695 in questioned costs.

Context: The department submitted the final Welfare-to-Work financial report in December 2001. The department recorded direct grant expenditures of \$3,205,263 and \$291,567 in fiscal years 1999-00 and 2000-01, respectively.

Effect: The department recorded \$200,695 in costs to the Welfare-to-Work program beyond the amount granted in the award.

Cause: Program personnel at the department's Workforce Services Division offices continued to enroll clients for benefits under the federal program even though the grant funding had been fully expended. The lack of availability of grant funds was not effectively communicated to the department's field personnel.

Recommendation: We recommend the department develop procedures to ensure personnel operating federally funded programs are notified when funding is no longer available.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Cost

Finding #2-43 U.S. Department of Agriculture (USDA)
CFDA #10.551 Food Stamps
CFDA #10.561 State Administrative Matching Grants for Food Stamp Program

Criteria: OMB Circular A-133, Food Stamps Cluster compliance supplement requires monthly reporting of the Food Nutrition Service (FNS) 46 report and the FNS-250 report. The FNS-250 report is to be submitted within 45 calendar days after the last day of coupon issuance each month and should reach the FNS by the 15th day of the second month following the last day of coupon issuance for the month. As a key internal control the Department of Public Health and Human Services (department) requires monthly reconciliation of the stamps reported as issued by the contractor to TEAMS (The Economic Assistance Management System) the system used by the department to determine client eligibility and allowable stamp issuance amounts.

Condition: During the first eight months of fiscal year 2000-01, only one monthly and no quarterly reconciliations had been completed. Therefore, the federal reports were not completed on time.

Questioned Costs: No questioned costs were identified.

Context: The department distributed food stamps valued at \$53,392,372 in fiscal year 2000-01.

Effect: Since the food stamp issuance data has not been reconciled, the department has not been able to submit timely FNS-46 and FNS-250 reports to the federal government.

Cause: The employee who performed the reconciliations for 10 years terminated in July of 2000. The position was not filled until November of 2000. No employee was cross-trained to perform the reconciliations. Additionally, the reconciliation form was cumbersome and the procedures were not documented. Consequently, department personnel could not effectively assign another employee to perform the reconciliations.

Recommendation: We recommend the department document procedures used to reconcile food stamp issuances reported by the contractor and those recorded as authorized on the department's records and cross train employees so administrative responsibilities can be met if turnover occurs.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-44 U.S. Department of Health and Human Services (HHS)
CFDA #93.778 Medical Assistance Program (Medicaid; Title XIX)
CFDA #93.777 State Survey and Certification of Health Care Providers and Suppliers
CFDA #93.558 Temporary Assistance for Needy Families
CFDA #10.551 Food Stamps
CFDA #93.575 Child Care and Development Block Grant

Criteria: OMB Circular A-133, Subpart C(b) requires internal controls over its federal awards to provide reasonable assurance that it is managing those awards in compliance with applicable laws and regulations.

Condition: The Department of Public Health and Human Services (department) utilizes The Economic Assistance Management System (TEAMS) to determine eligibility and benefit determinations for Medicaid, Temporary Assistance to Needy Families, Food Stamps, and Child Care Development Fund awards. As an internal control, the department consulted with TEAMS to produce a series of exception reports to use in ensuring eligibility and benefit determinations are made in compliance with applicable laws and regulations. We reviewed the department's use of some of the exception reports to determine whether internal controls were in place. Per our review, we found that some of the reports are either not utilized or contain outdated information.

Questioned Costs: No questioned costs were identified.

Context: TEAMS generates a number of reports to aid in management of economic assistance programs. We identified five different types of reports which are not being used effectively or efficiently.

Effect: Exception report information is not followed up on and resolved, overpayments are still open and not returned, duplicate cases are not inactivated; possibly resulting in duplicate payments. Additionally, there is an inefficient use of time in generating and disbursing reports that are not used or reviewing reports that contain the same information from month to month, but are never followed up on.

Cause: Turnover at the department has resulted in lost procedures for using the reports. New employees are unaware of what should be done with the exception reports. There is also a lack of communication between the creator of the reports and users. The users of the report have not communicated which reports are not needed.

Recommendation: We recommend the department discontinue preparing ineffective TEAMS exception reports and establish procedures to ensure the use of those reports useful in monitoring program activities.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-45 U.S. Department of Agriculture
CFDA #10.555 National School Lunch Program for Children

U.S. Department of Education
CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.027 Special Education - Grants to States (Special Education Cluster)
CFDA #84.048 Vocational Education - Basic Grants to States

Criteria: The Cash Management Improvement Act (CMIA) requires the U.S. Secretary of Treasury to enter into agreements with states to establish terms and conditions for cash management of certain federal grant programs. The CMIA agreement applies to the Office of Public Instruction (office) administration of the federal programs identified above. The CMIA agreement requires the office to draw cash for those schools receiving funds through electronic funds transfer one day after the payment is made and between four and six days after payment is made for those schools receiving funds by warrants, depending on the grant. For the National School Lunch Program it is six days; for Title I it is five days; and for Special Education and Vocational Education it is four days.

Condition: The office draws cash for these programs using only the electronic funds transfer pattern.

Questioned Costs: No questioned costs were identified.

Context: Of the 56 counties within the state, four receive funds by warrants rather than electronic funds transfer in fiscal year 1999-00. These four counties represent 5 to 10 percent of the school district recipients. In fiscal year 2000-01, two counties received funds by warrant. In fiscal year 2001-02, only one county received funds by warrant. This county receives approximately 3 percent of the total federal awards administered by the office.

Effect: By disregarding the warrant clearance patterns, the office is not in compliance with the CMIA agreement and the potential exists for interest to be owed to the federal government.

Cause: Office personnel stated it would be difficult to isolate the amount of benefits being paid on warrants within the state's accounting system.

Recommendation: We recommend the office develop a cost-effective method for identifying amounts paid by warrant to subrecipients in order to comply with the provisions of the Cash Management Improvement Act.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-46 U.S. Department of Labor
CFDA #17.225 Unemployment Insurance (UI)

Criteria: The computation of the employer's annual tax rate is based on State Unemployment Insurance laws (26 USC Section 3303). State law, section 39-51-1219, MCA requires that experience factors used to calculate the Unemployment Insurance rate be applied in certain situations to successor employers.

Condition: The computer system used to calculate UI rates for calendar year 2001 did not properly transfer the experience rating from previous employers to successor employers. As a result of not transferring the experience rating properly, the UI rate calculated by the Department of Revenue for calendar year 2001 may not be correct for these employers.

Questioned Costs: No questioned costs were identified.

Context: The Department of Revenue calculated a UI tax rate for approximately 35,000 employers for calendar year 2001. Of these 35,000 employers, 925 employers were identified in the population of employers whose rates may not have been calculated correctly.

Effect: The Department of Revenue may have provided an incorrect UI tax rate to approximately 925 employers for calendar year 2001.

Cause: The computer system used to calculate the rates did not properly transfer experience factors for successor employers.

Recommendation: We recommend the Department of Revenue properly consider experience factors as required by state law when calculating the UI rate for successor employers.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-47 U.S. Department of Agriculture
CFDA #10.551 & 10.561 Food Stamp Cluster
CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and
Children (WIC)
CFDA #10.555 National School Lunch Program
CFDA #10.567 Food Distribution Program on Indian Reservations

U.S. Department of Education
CFDA #84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States

U.S. Department of Health and Human Services
CFDA #93.044 & 93.045 Aging Cluster
CFDA #93.558 Temporary Assistance for Needy Families Program
CFDA #93.563 Child Support Enforcement
CFDA #93.568 Low Income Home Energy Assistance
CFDA #93.575 & 93.596 Child Care Cluster
CFDA #93.658 Foster Care - Title IV-E
CFDA #93.667 Social Service Block Grant
CFDA #93.775, 93.777, & 93.778 Medicaid Cluster
CFDA #93.959 Block Grants for Prevention and Treatment of Substance Abuse
CFDA #93.767 State Children's Insurance Program

U.S. Department of Social Security Administration
CFDA #96.001 Social Security - Disability Insurance

See the Schedule of Findings and Questioned Costs, Section II – Financial Statement Findings,
Finding #1-1 for details.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-48 U.S. Department of Agriculture
CFDA #10.551 & 10.561 Food Stamp Cluster
CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and
Children (WIC)
CFDA #10.555 National School Lunch Program
CFDA #10.567 Food Distribution Program on Indian Reservations

U.S. Department of Education
CFDA #84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States

U.S. Department of Health and Human Services
CFDA #93.044 & 93.045 Aging Cluster
CFDA #93.558 Temporary Assistance for Needy Families Program
CFDA #93.563 Child Support Enforcement
CFDA #93.568 Low Income Home Energy Assistance
CFDA #93.575 & 93.596 Child Care Cluster
CFDA #93.658 Foster Care - Title IV-E
CFDA #93.667 Social Service Block Grant
CFDA #93.775, 93.777, & 93.778 Medicaid Cluster
CFDA #93.959 Block Grants for Prevention and Treatment of Substance Abuse
CFDA #93.767 State Children's Insurance Program

U.S. Department of Social Security Administration
CFDA #96.001 Social Security - Disability Insurance

See the Schedule of Findings and Questioned Costs, Section II – Financial Statement Findings,
Finding #1-2 for details.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-49 U.S. Environmental Protection Agency
CFDA #66.458 Capitalization Grants for State Revolving Funds
CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Fund

See Schedule of Findings and Questioned Costs, Section II – Financial Statement Findings, Finding #1-4 for details.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-50 U.S. Environmental Protection Agency
CFDA #66.458 Capitalization Grants for State Revolving Funds
CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds

See Schedule of Findings and Questioned Costs, Section II – Financial Statement Findings, Finding #1-5 for details.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Question Costs

Finding #2-51 U.S. Department of Education
CFDA #84.243 Tech-Prep Education

Criteria: OMB Circular A-133 defines questioned costs to include costs that are questioned by the auditor because of an audit finding for which the costs at the time of the audit are not supported by adequate documentation. The Tech-Prep grant instructions issued by the Office of Vocational and Adult Education on May 19, 2000 includes restrictions on grant expenditures for presenter fees.

Condition: The Office of the Commissioner of Higher Education (office) administers the Tech-Prep Education Grant. During fiscal year 2000-01, the office received two refunds from subrecipients, which should have reduced the expenditures reported for this grant. However, the grant accountant mistakenly recorded expenditures, which overstated the actual Tech-Prep expenditures. The office also charged \$2,751 in presenter fees, which are not allowable grant expenditures

Questioned Costs: We question \$47,663 of expenditures, which are overstated and \$2,751 of presenter fee expenditures for the Tech-Prep grant in fiscal year 2000-01.

Context: Federal expenditures reported for the Tech-Prep grant were \$573,343 in fiscal year 2000-01.

Effect: The office overstated expenditures to the federal government and charged costs which were not allowable.

Cause: The grant accountant made an error in recording the subrecipients' refunds. The presenter fees were supposed to be paid by the educational consortiums attending the conferences but not all presenter costs were recovered.

Recommendation: We recommend the office strengthen accounting procedures to ensure federal amounts are allowable.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III - Federal Award Findings and Questioned Costs

Finding #2-52 U.S. Department of Education
CFDA #84.032 Federal Family Education Loans

Criteria: 34 CFR 682.410(c)(1) requires the Montana Board of Regents and Office of the Commissioner of Higher Education (office) Guaranteed Student Loan program (program) to conduct comprehensive biennial on-site reviews of certain lenders participating in the Federal Family Education Loan program. These regulations require the program to review lenders whose dollar volume of loans made or held and guaranteed by the program in the preceding year (a) equaled or exceeded two percent of the total of all loans guaranteed by the program that year, (b) was one of the ten largest lenders whose loans were guaranteed by the program that year, or (c) equaled or exceeded \$10 million.

Condition: Program personnel determined that one lender is a loan servicer for nine of the highest volume lenders and the lender review was completed on time. However, they did not complete a review for the one lender that is the largest volume lender.

Questioned Costs: No questioned costs were identified.

Context: The office completed nine of the ten reviews required for the period of January 1, 2000 to December 31, 2001.

Effect: The office was not in compliance with 34 CFR 682.410(c)(1) for lender reviews.

Cause: Program personnel did not have enough time to complete all ten lender reviews.

Recommendation: We recommend the Office of the Commissioner of Higher Education perform biennial reviews of lenders meeting federal criteria as required by federal regulations for the Federal Family Education Loan program.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questioned Costs

Finding #2-53 U.S. Department of Defense
CFDA #12.404 National Guard Civilian Youth Opportunities

Criteria: The Uniform Requirements for Grants and Cooperative Agreements states "... except as provided by Federal statute, a cost sharing or matching requirement may not be met by costs borne by another Federal Grant." CFDA #12.404, the Youth Challenge Program agreement, has specific state and federal matching requirements.

Condition: The Department of Military Affairs (department) used \$200,000 of federal funds (CFDA #17.259 WIA) subgranted from another state agency for matching funds for the federal amounts available under CFDA #12.404 for the Youth Challenge Program.

Questioned Costs: We question \$329,074 of expenditures.

Context: Total expenditures for the Youth Challenge Program were \$2,734,197. This consisted of: \$200,000 in federal funds from the Workforce Investment Act (WIA) Youth Activities (CFDA #17.259) subgranted from the Montana Department of Labor and Industry; \$1,762,404 in federal funds from CFDA #12.404; and \$771,793 in state matching funds for the Youth Challenge Program.

Effect: The department did not meet the matching requirements for the Youth Challenge Program. Under the matching requirements for CFDA #12.404, federal expenditures should not have exceeded \$1,433,330. We question federal expenditures exceeding this amount.

Cause: Based on information provided from an official in the Governor's Office, department officials believed the \$200,000 WIA funds could be used as matching funds for the Youth Challenge Program.

Recommendation: We recommend the Department of Military Affairs comply with the matching requirements for CFDA #12.404.

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2001

Section III – Federal Award Findings and Questions Costs

Finding #2-54 U.S. Department of Agriculture
CFDA #10.555 National School Lunch Program

Criteria: 7 CFR 210.18(c): The Office of Public Instruction (office) is required to conduct on-site reviews of each school food authority participating in the National School Lunch Program during each review cycle established in federal regulation. The first review cycle ended June 30, 1998, the second review cycle will end June 30, 2003, and the third review cycle will end June 30, 2008. In addition, each review must occur no later than six years after the prior review.

Condition: We tested a sample of ten school food authorities receiving lunch reimbursement during state fiscal years 2000-01 and 2001-02. We determined that only four of these school food authorities are part of the second review cycle. Of these, two will be conducted more than six years after the prior review. We were unable to determine whether the other two reviews will be timely as office personnel were unable to locate documentation from the prior review. The remaining six school food authorities are not scheduled for review until the third cycle. Office personnel were able to provide documentation of a first cycle review for only four of these six school food authorities.

Questioned Costs: No questioned costs were identified.

Context: There are approximately 270 school food authorities in the state. Total federal expenditures in fiscal year 2000-01 for the National School Lunch Program were \$14,202,093.

Effect: The Office of Public Instruction cannot be assured it will detect and address instances of non-compliance on the part of school food authorities in a timely manner.

Cause: Complete turnover occurred in the positions assigned the on-site review responsibilities. Present personnel indicated they are approximately two years behind completing the on-site reviews.

Recommendation: We recommend the office ensure the on-site reviews are performed in accordance with federal regulations and retain review documentation.